

# PERAC AUDIT REPORT



## Weymouth Contributory Retirement System

JAN. 1, 2003 - DEC. 31, 2005



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION  
COMMONWEALTH OF MASSACHUSETTS



## TABLE OF CONTENTS

Letter from the Executive Director .....	1
Statement of Ledger Assets and Liabilities.....	2
Statement of Changes in Fund Balances .....	3
Statement of Receipts.....	4
Statement of Disbursements.....	5
Investment Income .....	6
Schedule of Allocation of Investments Owned.....	7
Supplementary Investment Regulations .....	8
<u>Notes to Financial Statements:</u>	
Note 1 - Summary of Plan Provisions .....	9
Note 2 - Significant Accounting Policies .....	16
Note 3 - Supplementary Membership Regulations.....	17
Note 4 - Administration of the System .....	20
Note 5 - Actuarial Valuation and Assumptions.....	21
Note 6 - Membership Exhibit.....	22

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* | A. JOSEPH DeNUCCI, *Vice Chairman*  
KENNETH J. DONNELLY | JAMES M. MACHADO | DONALD R. MARQUIS | THOMAS TRIMARCO

JOSEPH E. CONNARTON, *Executive Director*

February 1, 2007

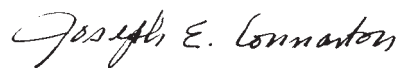
The Public Employee Retirement Administration Commission has completed an examination of the Weymouth Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2003 to December 31, 2005. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission.

We commend the Weymouth Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners Martin J. Feeney and Mary Dundas who conducted this examination, and express appreciation to the Board of Retirement, its staff, as well as to the System's independent auditor, O'Connor and Drew, for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



## STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2005	2004	2003
<b>Net Assets Available for Benefits:</b>			
Cash	\$506,801	\$1,304,508	\$1,539,102
Equities	12,533,165	11,520,137	0
Pooled Domestic Equity Funds	50,193,329	46,296,619	0
Pooled International Equity Funds	16,353,489	11,755,360	0
Pooled Domestic Fixed Income Funds	26,918,689	31,442,512	0
Pooled Alternative Investment Funds	459,107	305,061	0
Pooled Real Estate Funds	13,804,194	10,805,430	0
PRIT Cash Fund	0	0	399
PRIT Core Fund	0	0	99,321,852
Interest Due and Accrued	0	0	0
Accounts Receivable	330,087	463,570	10,469
Accounts Payable	(111,414)	(113,439)	(14)
<b>Total</b>	<u>\$120,987,447</u>	<u>\$113,779,758</u>	<u>\$100,871,808</u>
<b>Fund Balances:</b>			
Annuity Savings Fund	\$26,028,024	\$24,365,221	\$22,344,196
Annuity Reserve Fund	10,996,920	11,195,800	11,486,300
Pension Fund	(8,720,679)	(6,339,178)	(4,171,374)
Military Service Fund	19,576	15,885	14,632
Expense Fund	0	0	0
Pension Reserve Fund	92,663,604	84,542,030	71,198,054
<b>Total</b>	<u>\$120,987,447</u>	<u>\$113,779,758</u>	<u>\$100,871,808</u>

## STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance ( 2003)	\$20,981,088	\$11,240,242	(\$1,499,111)	\$8,158	\$0	\$51,612,873	\$82,343,250
Receipts	2,914,712	337,054	6,768,790	6,474	623,780	19,595,366	30,246,176
Inter Fund Transfers	(1,218,098)	1,228,284	0	0	0	(10,186)	0
	<u>(333,506)</u>	<u>(1,319,280)</u>	<u>(9,441,052)</u>	<u>0</u>	<u>(623,780)</u>	<u>0</u>	<u>(11,717,618)</u>
Disbursements							
Ending Balance (2003)	22,344,196	11,486,300	(4,171,373)	14,632	0	71,198,053	100,871,808
Receipts	3,099,661	336,650	7,659,573	1,253	772,700	13,343,976	25,213,813
Inter Fund Transfers	(755,179)	755,179	0	0	0	0	0
	<u>(323,457)</u>	<u>(1,382,330)</u>	<u>(9,827,377)</u>	<u>0</u>	<u>(772,700)</u>	<u>0</u>	<u>(12,305,864)</u>
Disbursements							
Ending Balance (2004)	24,365,221	11,195,799	(6,339,177)	15,885	0	84,542,029	113,779,757
Receipts	2,959,146	331,910	7,965,822	3,748	1,018,013	8,121,575	20,400,214
Inter Fund Transfers	(910,094)	914,772	(4,678)	0	0	0	0
	<u>(386,249)</u>	<u>(1,445,561)</u>	<u>(10,342,646)</u>	<u>(58)</u>	<u>(1,018,013)</u>	<u>0</u>	<u>(13,192,527)</u>
Disbursements							
Ending Balance (2005)	<u>\$26,028,024</u>	<u>\$10,996,920</u>	<u>(\$8,720,679)</u>	<u>\$19,575</u>	<u>\$0</u>	<u>\$92,663,604</u>	<u>\$120,987,444</u>

# STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2005	2004	2003
<b>Annuity Savings Fund:</b>			
Members Deductions	\$2,719,125	\$2,558,507	\$2,503,596
Transfers from Other Systems	59,865	233,966	91,399
Member Make Up Payments and Re-deposits	20,532	164,099	86,744
Member Payments from Rollovers	17,755	10,197	29,648
Investment Income Credited to Member Accounts	<u>141,869</u>	<u>132,892</u>	<u>203,325</u>
Sub Total	<u>2,959,146</u>	<u>3,099,661</u>	<u>2,914,712</u>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited to the Annuity Reserve Fund	<u>331,910</u>	<u>336,650</u>	<u>337,054</u>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	240,916	158,513	139,808
Received from Commonwealth for COLA and Survivor Benefits	539,085	640,476	572,852
Pension Fund Appropriation	<u>7,185,821</u>	<u>6,860,584</u>	<u>6,056,130</u>
Sub Total	<u>7,965,822</u>	<u>7,659,573</u>	<u>6,768,790</u>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	3,653	1,107	6,392
Investment Income Credited to the Military Service Fund	<u>95</u>	<u>146</u>	<u>82</u>
Sub Total	<u>3,748</u>	<u>1,253</u>	<u>6,474</u>
<b>Expense Fund:</b>			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>1,018,014</u>	<u>772,700</u>	<u>623,780</u>
Sub Total	<u>1,018,014</u>	<u>772,700</u>	<u>623,780</u>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	22,126	35,956	15,708
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	4,752	4,111	3,461
Miscellaneous Income	119	25	96
Excess Investment Income	<u>8,094,578</u>	<u>13,303,884</u>	<u>19,576,101</u>
Sub Total	<u>8,121,575</u>	<u>13,343,976</u>	<u>19,595,366</u>
<b>Total Receipts</b>	<u>\$20,400,215</u>	<u>\$25,213,813</u>	<u>\$30,246,176</u>

# STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2005	2004	2003
<b>Annuity Savings Fund:</b>			
Refunds to Members	\$208,814	\$178,487	\$230,816
Transfers to Other Systems	<u>177,435</u>	<u>144,970</u>	<u>102,690</u>
Sub Total	<u>386,249</u>	<u>323,457</u>	<u>333,506</u>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	1,432,007	1,371,943	1,315,771
Option B Refunds	<u>13,554</u>	<u>10,387</u>	<u>3,509</u>
Sub Total	<u>1,445,561</u>	<u>1,382,330</u>	<u>1,319,280</u>
<b>Pension Fund:</b>			
Pensions Paid:			
Regular Pension Payments	6,908,541	6,664,482	6,318,533
Survivorship Payments	392,700	394,000	364,381
Ordinary Disability Payments	177,843	96,575	103,636
Accidental Disability Payments	1,982,218	1,810,068	1,815,941
Accidental Death Payments	614,661	587,351	584,384
Section 101 Benefits	126,704	126,064	130,464
3 (8) (c) Reimbursements to Other Systems	139,979	148,837	123,713
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>10,342,646</u>	<u>9,827,377</u>	<u>9,441,052</u>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who Withdrew Their Funds	<u>57</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	17,000	17,000	17,250
Salaries	130,271	117,142	117,990
Legal Expenses	53,272	66,299	32,559
Medical Expenses	0	0	905
Travel Expenses	16,583	8,831	6,115
Administrative Expenses	31,093	16,977	22,668
Furniture and Equipment	3,622	12,488	477
Management Fees	642,282	433,973	372,351
Custodial Fees	31,776	13,745	0
Consultant Fees	47,500	46,500	23,000
Rent Expenses	19,440	19,160	15,500
Service Contracts	17,945	12,799	10,443
Fiduciary Insurance	<u>7,230</u>	<u>7,786</u>	<u>4,522</u>
Sub Total	<u>1,018,014</u>	<u>772,700</u>	<u>623,780</u>
<b>Total Disbursements</b>	<u>\$13,192,527</u>	<u>\$12,305,864</u>	<u>\$11,717,618</u>

# INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2005	2004	2003
<b>Investment Income Received From:</b>			
Cash	\$16,074	\$9,820	\$4,346
Equities	59,176	21,115	0
Pooled or Mutual Funds	<u>730,438</u>	<u>2,062,933</u>	<u>2,858,277</u>
<b>Total Investment Income</b>	<u>805,688</u>	<u>2,093,868</u>	<u>2,862,623</u>
<b>Plus:</b>			
Realized Gains	971,819	3,735,859	2,651,267
Unrealized Gains	15,413,718	13,284,235	17,341,445
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>16,385,537</u>	<u>17,020,094</u>	<u>19,992,712</u>
<b>Less:</b>			
Paid Accrued Interest on Fixed Income Securities	0	0	0
Realized Loss	(454,442)	(216,095)	(236,214)
Unrealized Loss	(7,150,317)	(4,351,593)	(1,878,778)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>(7,604,759)</u>	<u>(4,567,688)</u>	<u>(2,114,992)</u>
<b>Net Investment Income</b>	<u>9,586,466</u>	<u>14,546,274</u>	<u>20,740,343</u>
<b>Income Required:</b>			
Annuity Savings Fund	141,869	132,892	203,325
Annuity Reserve Fund	331,910	336,650	337,054
Military Service Fund	95	147	82
Expense Fund	<u>1,018,014</u>	<u>772,700</u>	<u>623,781</u>
<b>Total Income Required</b>	<u>1,491,888</u>	<u>1,242,389</u>	<u>1,164,242</u>
Net Investment Income	<u>9,586,466</u>	<u>14,546,274</u>	<u>20,740,343</u>
Less: Total Income Required	<u>1,491,888</u>	<u>1,242,389</u>	<u>1,164,242</u>
<b>Excess Income To The Pension Reserve Fund</b>	<u>\$8,094,578</u>	<u>\$13,303,885</u>	<u>\$19,576,101</u>



# SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2005			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$506,801	0.42%	100.00%
Equities	12,533,165	10.38%	5.00%
Pooled Domestic Equity Funds	50,193,329	41.56%	45.00%
Pooled International Equity Funds	16,353,489	13.54%	10.00%
Pooled Domestic Fixed Income Funds	26,918,689	22.29%	30.00%
Pooled Alternative Investment Funds	459,107	0.38%	7.50%
Pooled Real Estate Funds	<u>13,804,194</u>	<u>11.43%</u>	10.00%
<b>Grand Total</b>	<b><u>\$120,768,774</u></b>	<b><u>100.00%</u></b>	

For the year ending December 31, 2005, the rate of return for the investments of the Weymouth Retirement System was 8.65%. For the five-year period ending December 31, 2005 the rate of return for the investments of the Weymouth Retirement System averaged 6.27%. For the twenty-one year period ending December 31, 2005 since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Weymouth Retirement System was 11.67%.

## SUPPLEMENTARY INVESTMENT REGULATIONS

The Weymouth Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

September 11, 2006 16.08

In accordance with Investment Guideline 99-2, the Weymouth Retirement Board is authorized to make a modest modification to its international equity mandate with State Street Global Advisors. Assets currently in SSgA's International Alpha Fund will be moved into the firm's All International Allocation Strategy. The latter fund also invests in the International Alpha Fund but supplements it with limited, opportunistic investments in other SSgA international equity funds. By gaining exposure to such sectors as emerging markets and international small cap, the Board will be achieving greater diversification within its international equity holdings.

# NOTES TO FINANCIAL STATEMENTS

## NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Weymouth Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

### ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

### PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

#### **Group 1:**

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

#### **Group 2:**

Certain specified hazardous duty positions.

#### **Group 4:**

Police officers, firefighters, and other specified hazardous positions.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

### RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

### RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

### SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

## NOTES TO FINANCIAL STATEMENTS (Continued)

### AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

### DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, s. 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

### WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

#### ORDINARY DISABILITY

**Eligibility:** Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s. 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

**Retirement Allowance:** Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

#### ACCIDENTAL DISABILITY

**Eligibility:** Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

**Retirement Allowance:** 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$611.28 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### ACCIDENTAL DEATH

**Eligibility:** Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

**Allowance:** An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000.00 from the State Retirement Board.

### DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

### DEATH IN ACTIVE SERVICE

**Allowance:** An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

### METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

**Option A:** Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

**Option B:** A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

**Option C:** A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.



## NOTES TO FINANCIAL STATEMENTS (Continued)

### ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Weymouth Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

#### **October 3, 1984**

1. Persons employed as full-time permanent must join the retirement system as of their date of employ. (under age 65)
2. Persons employed as full-time temporary may join the retirement system as of their date of employ and must join after six months of employment even though still “temporary”.
3. Persons employed as part-time permanent must join if they work 20 or more hours a week.
4. Persons employed as part-time permanent cannot join if they work less than 20 hours per week.
5. Persons employed as part-time temporary cannot join. Part-time if go below 20 hours a week can continue for 6 months. After 6 months go inactive. Interest for 2 years. Can withdraw any time after going under 20 hours a week. Cannot buy back time if under 20 hours a week. **(Amended March 8, 1985.)**

If back to 20 (or more) within 6 months – as if they never left.

Full year credit for part time.

#### **March 8, 1985**

Persons employed as part-time temporary cannot join. Part-time if they go below twenty (20) hours a week, can continue for six (6) months. After six (6) months go inactive. Interest for two years. Can withdraw anytime after going under twenty (20) hours a week. Cannot buy back time if under twenty (20) hours a week. If back to twenty (20) (or more) within six (6) months, as if they never left.

Part time employees, if always part-time, receive full year’s credit.

#### **December 31, 1986**

Anyone employed by the Town of Weymouth on or after 1/1/87 as a part-time, provisional, part-time temporary, temporary provisional, seasonal or intermittent employee, shall not be eligible to join the retirement system.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS(continued)

#### **September 19, 1995**

1. General Provisions Governing Creditable Service for any Period of Part-time, Provisional, Temporary, Temporary Provisional, Seasonal or Intermittent Employment or Service Prior to any Individual's Eligibility for Membership in the Weymouth Contributory Retirement System (the "System"). Except as expressly provided by these regulations, no individual in the employment or service of the town of Weymouth (the "Town") shall be eligible to be credited for creditable service for any period of part-time, provisional, temporary, temporary provisional, seasonal or intermittent (hereinafter, collectively, "Part-time") employment or service prior to said individual's eligibility to become a member of the System (or the reinstatement of such eligibility).

2. Eligibility. Except pursuant to these regulations, promulgated by the Weymouth Retirement Board (the "Board") under General Laws Chapter 32, Section 4 (2)(c), no member of the System shall be eligible to be credited for creditable service for any period of Part-time employment or service in the System prior to said member's eligible to be credited for creditable service for any period of Part-time employment or service in the System prior to said member's eligibility to become a member of the System (or the reinstatement of such eligibility).

For the purposes of these regulations, a Part-time employee of the Town who is eligible for credit for creditable service for any period of Part-time employment or service in the System prior to said employee's eligibility to become a member of the System (or the reinstatement of such eligibility), shall be deemed an "Eligible Part-Time Employee" pursuant to this Section 2.

3. Credit for Creditable Service for an Eligible Part-Time Employee. In addition to credit for creditable service for all employment or service rendered by an Eligible Part-Time Employee after said Eligible Part-Time Employee becomes a member of the System, and subject to any applicable limitations arising from, without implied limitation, any or all of the following provisions of General Laws Chapter 32: (i)Section 3(2)(a)(iv) (regarding, among other things, a mandatory six-month waiting period for Eligible Part-Time employees who are classified in Group I); (ii) Section 3(2)(d) (regarding, among other things, the Board's possession and exercise of full jurisdiction to determine Eligible Part-Time Employee eligibility for membership in the System, including, without implied limitation, Eligible Part-Time Employees whose annual compensation is fixed at an amount of two hundred dollars or less); and (iii) Section 4 (2)(c) (regarding, among other things, the Board's power to allow credit for creditable service to any member of the System for any period of Part-Time employment or service in the System prior to said member's eligibility to become a member of the System (or the reinstatement of such eligibility) and the "annuity savings fund make-up payments" as hereinafter defined); An Eligible Part-Time Employee also shall be credited for creditable service for, and only for, the number of whole or partial weeks of Part-Time employment or service in the System, prior to said member's eligibility to become a member of the System (or the reinstatement of such eligibility), calculated by multiplying the fraction, the denominator of which fraction is equal to forty (40), and the numerator of which fraction is equal to the average number of hours of Part-Time employment or service in the System rendered by an

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS(continued)

Eligible Part-Time Employee prior to such Eligible Part-Time Employee's eligibility to become a member of the System (or the reinstatement of such eligibility), said average itself to be calculated only by including in the calculation thereof only the number of weeks in which such Eligible Part-Time Employee actually was employed or served in the System; provided, however, that after said Eligible Part-Time Employee becomes a member of the System (or is reinstated as such), and before the date any retirement allowance becomes effective for said Eligible Part-Time Employee, said Eligible Part-Time employee complies with the annuity savings fund make-up payments and regular interest make-up payments prescribed by said Section 4(2)(c) (hereinafter, collectively, "annuity savings fund make-up payments"); and provided, further, that in the event any retirement allowance becomes effective for said Eligible Part-Time Employee before the completion of said annuity savings fund make-up payments, the provisions of the last sentence of said Section 4(2) (c) (regarding a reduction in the credit for creditable service for any period of Part-Time employment or service in the System prior to said Eligible Part-Time Employee's eligibility to become a member of the System) shall apply. For example, an Eligible Part-Time Employee (assuming, for demonstrative purposes only, that said Employee is a Group 2 Eligible Part-Time Employee whose annual compensation is in excess of two hundred dollars a year and to whom, without implied limitation, other limitations of General Laws Chapter 32, Sections 3(2)(a)(iv), 3(2)(d) and 4(2)(c) do not apply), who, for a 104-week period during a 150-week period (i.e., the Eligible Part-Time Employee was employed and served in the System during 104 weeks of a 150-week period), averages twenty (20) hours a week of employment and service during said 104-week period (e.g., 2,080 hours.104 weeks = 20 hours/week) would be entitled to credit for creditable service for fifty-two weeks: (i.e.,  $20/[40] \times 104 = 52$ ).

4. Relationship to Massachusetts General Laws Chapter 32. An Eligible Part-Time Employee who, in accordance with these regulations, receives credit for creditable service for employment or service rendered prior to said member's eligibility to become a member of the System (or the reinstatement of such eligibility), shall be subject to any and all provisions of General Laws Chapter 32.

5. Administration. The credit for creditable service for employment or service for any period of Part-Time employment or service in the System by an Eligible Part-Time Employee who, in accordance with these regulations, receives credit for creditable service for employment or service for any period of Part-time service or employment in the System prior to said member's eligibility to become a member of the System (or the reinstatement of such eligibility), shall be administered by the Board, which Board shall also have the authority to promulgate further regulations to implement the provisions of these regulations.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such System, and a fifth member appointed by the other four Board members.

Ex-officio Member: Barbara Costa

Appointed Member: Gregory Hargadon                      Term Expires: 7/1/2008

Elected Member: Joseph Davis                              Term Expires: 6/30/2007

Elected Member: Frank Lagrotteria                      Term Expires: 1/1/2009

Appointed Member: Edward Masterson                      Term Expires: 2/4/2007

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the System. The Board must annually file a financial statement of condition for the System with the Executive Director of PERAC.

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following Retirement Board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	\$50,000,000 Fiduciary Liability
Ex-officio Member:	)	Travelers (\$10 M Primary)
Elected Member:	)	AIG/National Union (\$10M Excess of Primary)
Appointed Members:	)	Arch, Inc. (\$10M Excess of \$20M)
Staff:		\$1,000,000 Commercial Crime – Employee Dishonesty

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2005.

The actuarial liability for active members was	\$74,360,955
The actuarial liability for inactive and retired members was	<u>100,169,495</u>
The total actuarial liability was	174,530,450
System assets as of that date were (actuarial value)	<u>113,779,758</u>
The unfunded actuarial liability was	<u>\$60,750,692</u>
The ratio of system's assets to total actuarial liability was	65.2%
As of that date the total covered employee payroll was	\$30,671,431

The normal cost for employees on that date was 8.50% of payroll

The normal cost for the employer was 5.20% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum  
 Rate of Salary Increase: 5.00% per annum

### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF:

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2005	\$113,780,000	\$174,530,000	\$60,750,000	65.2%	\$30,671,000	198.1%
1/1/2003	\$82,343,000	\$159,560,000	\$77,217,000	51.6%	\$28,228,000	273.5%
1/1/2001	\$97,212,000	\$139,501,000	\$42,289,000	69.7%	\$26,698,000	158.4%
1/1/1999	\$80,108,000	\$124,860,000	\$44,752,000	64.2%	\$23,470,000	190.7%
1/1/1997	\$58,726,000	\$106,219,000	\$47,493,000	55.3%	\$19,645,000	241.8%

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 6 - MEMBERSHIP EXHIBIT

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Retirement in Past Years</b>										
Superannuation	18	21	17	23	24	22	63	18	13	11
Ordinary Disability	0	0	0	0	0	0	0	0	0	3
Accidental Disability	5	7	4	3	2	1	3	0	2	0
<b>Total Retirements</b>	23	28	21	26	26	23	66	18	15	14
Total Retirees, Beneficiaries and Survivors	592	593	596	609	613	619	699	680	631	631
Total Active Members	692	724	769	811	843	877	856	818	867	854
<b>Pension Payments</b>										
Superannuation	\$3,463,349	\$3,752,556	\$3,873,033	\$4,068,343	\$4,530,288	\$4,820,699	\$5,457,943	\$6,318,533	\$6,664,482	\$6,908,541
Survivor/Beneficiary Payments	367,136	389,001	371,296	397,819	421,542	364,745	421,441	364,381	394,000	392,700
Ordinary Disability	165,008	145,979	132,527	128,402	125,811	115,017	103,094	103,635	96,575	177,843
Accidental Disability	1,350,307	1,441,863	1,447,501	1,479,543	1,581,785	1,680,205	1,737,855	1,815,941	1,810,068	1,982,218
Other	<u>557,895</u>	<u>567,960</u>	<u>671,740</u>	<u>642,553</u>	<u>671,688</u>	<u>788,128</u>	<u>803,932</u>	<u>838,562</u>	<u>862,252</u>	<u>881,344</u>
<b>Total Payments for Year</b>	<u>\$5,903,695</u>	<u>\$6,297,359</u>	<u>\$6,496,097</u>	<u>\$6,716,660</u>	<u>\$7,331,114</u>	<u>\$7,768,794</u>	<u>\$8,524,265</u>	<u>\$9,441,052</u>	<u>\$9,827,377</u>	<u>\$10,342,646</u>



PERAC

Five Middlesex Avenue | Third Floor  
Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: [www.mass.gov/perac](http://www.mass.gov/perac)